

Code of Corporate Governance

PNB Gilts Limited (“the Company”) has framed Code of Corporate Governance in terms of circular issued by Reserve Bank of India dated July 11, 2007 and subsequent modifications, thereto and RBI’s Master Directions dated 01.09.2016 which requires the Company to lay down internal guidelines on corporate governance.

Our Philosophy on Corporate Governance

Corporate Governance for the Company means achieving high level of accountability, efficiency, responsibility, transparency and fairness in all areas of operation. Our workforce is committed towards the protection of the interest of the stakeholders viz. shareholders, creditors, investors, customers, employees, etc. Our policies consistently undergo improvements keeping in mind our goal of maximization of value of all the stakeholders.

And the goal is achieved through...

- Infusion of best expertise in the Board.
- Board / Committee meetings at short intervals to enable the Board to lay down policy guidelines in response to changes in business environment and to monitor controls and operations of the Company.
- Consistent monitoring and improvement of the human and physical resources.
- Introducing regular checks and audits and continuous improvements in control systems and procedures.

CODE:

This Code takes into account the relevant statutory applicable provisions of the Companies Act, 2013, listing requirements with stock exchanges, wherever the Company is listed i.e. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Reserve Bank of India (RBI) directives/guidelines and other applicable laws. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress should be on its substance and spirit rather than on its form.

1. Board of Directors :

The Company believes that at the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. An active, well informed and independent Board is *sine qua non* to ensure the highest standards of corporate governance. Role and responsibilities of the Board shall be as defined in the Articles of Association, Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) and Reserve Bank of India (RBI) directives/guidelines and other applicable laws.

A. Composition of Board :

The Board of the Company shall consist of minimum six(6) Directors and shall be chaired by a Non-Executive Director, nominated by Punjab National Bank, being the majority shareholder. The Board of the Company shall have at least one Women Independent Director.

Further, since the regular non-executive chairperson is related to promoter, at least half of the Board of Directors of the Company shall consist of independent directors.

The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

The Board so comprised shall have optimum combination of executive and non-executive directors and independent directors in accordance with the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), RBI guidelines and other applicable laws.

B. Meetings and Attendance :

The Board shall meet atleast four times at quarterly intervals and /or more frequently, if deemed necessary to conduct its business. The gap between two meetings should not exceed 120 days. Quorum shall be as per the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws, which at present is “one-third of its total strength or three directors, whichever is higher, including at least one independent director”. All the Directors shall endeavor to attend the Meetings of the Board or Committees (in which they are member) held in a year and such attendance shall be one of the criterion for the Nomination and Remuneration Committee while recommending the name of such director for re-appointment/ continuation. However, the Company recognizes that it may not be possible for each Director to be physically present at every meeting. The Company may use video / teleconferencing facilities, wherever possible, to facilitate the participation of these directors in accordance with the Companies Act, 2013 and other applicable laws.

As far as is feasible, the Board shall act as a whole, endeavoring to reach unanimous decisions, the Chairperson playing a key role in this regard. Directors shall, however, enjoy full freedom to express their views, and where a Director is unable to go along with the majority, he shall be entitled to have his view suitably reflected in the Board proceedings.

The Company shall minutize the proceedings of the Board/Committee Meetings within prescribed time limit.

C. Other Directorships/Chairmanships/ Memberships

A director shall not occupy the position as Director in more than the number of companies as prescribed under the Companies Act, 2013 and Rules made thereunder, the Listing Regulations and other applicable laws at any point of time.

At present under Companies Act, 2013, maximum no. of directorships (including alternate directorships) which a director can hold is 20 companies at a time (excluding dormant companies). Further, maximum number of public companies in which a person can be appointed as a director should not exceed 10.

As per present Listing Regulations, a person shall not be a director in more than 8 listed entities with effect from 01.04.2019 and in not more than 7 listed entities with effect from 01.04.2020. Further, a person shall not serve as an independent director

in more than 7 listed entities. However, any person who is serving as a whole time director / managing director in any listed entity can serve as an independent director in not more than three listed entities. It may be noted that no person shall act as Alternate Director for an Independent Director.

Every director shall inform the Company about any change in his directorships and other positions within 30 days of his appointment or relinquishment, as the case may be. Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any Company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in prescribed manner.

Further, a director shall not be a member in more than 10 committees or act as Chairperson of more than five committees across all public companies in which he is a director. The Committees to be considered for the said purpose are Audit Committee and Stakeholders' Relationship Committee only. The Director shall inform the Company about the committee positions he occupies in other companies on an annual basis and shall also notify the changes as and when they take place.

D. Information to be placed before the Board

The Management shall place all strategic and other information, including the minimum information prescribed under the Companies Act, 2013 and Rules made thereunder, the Listing Regulations, RBI guidelines and other applicable laws.

E. Code of Conduct for Directors and Senior Management Personnel

The Code of Conduct for Directors and Senior Management Personnel is available on the Company's website and the Board shall review the said code on time-to-time basis.

The Directors and Senior Management Personnel (as defined in the code) shall give an undertaking at the time of appointment/promotion to such scale that they have gone through the guidelines (code) defining the role and responsibilities of such office and understood what is expected from them and that they will abide with this code.

The persons covered under this code shall also affirm to the Board on annual basis that they have complied with the said code during the last year. The MD & CEO shall give a declaration to this fact and the same shall be appended to the Corporate Governance section of the Annual Report for the information of shareholders and other stakeholders.

2. Board Committees

2.1 Audit Committee

The primary objective of the Audit Committee of the Company is to monitor and provide effective supervision of the management's financial reporting process

with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

The Audit Committee will also from time to time as may be required oversee the work carried out in the financial reporting process by the management, including the internal auditor and the statutory auditor and shall take note of the processes and safeguards employed by each.

Composition of Audit Committee:

There shall be atleast 3 members and two-third of them shall be independent directors. Chairman shall always be an Independent Director. All the members shall be financially literate and one of them shall possess expertise in Accounting or Financial Management.

The Company Secretary shall act as Secretary to the Committee.

Role of Audit Committee shall be as under :

The terms of reference of the Audit Committee shall be as per Companies Act, 2013, the Listing Regulations, RBI guidelines and other applicable laws and as may be fixed by the Board of Directors of the Company.

At present, the terms of reference of Audit Committee prescribed under Section 177 of Companies Act, 2013 are as under –

- i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii) review and monitor the auditor’s independence and performance, and effectiveness of audit process;
- iii) examination of the financial statement and the auditors’ report thereon;
- iv) approval or any subsequent modification of transactions of the company with related parties;
Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed under Rules notified by MCA.
Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:
Provided also that in case any transaction involving any amount not exceeding Rs. 1 crore is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:
- v) scrutiny of inter-corporate loans and investments;
- vi) valuation of undertakings or assets of the company, wherever it is necessary;
- vii) evaluation of internal financial controls and risk management systems;
- viii) monitoring the end use of funds raised through public offers and related matters.

At present, the terms of reference of Audit Committee prescribed under the Listing Regulations are as under –

- 1) oversight of the listed entity’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- 2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- 3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. matters required to be included in the director’s responsibility statement to 76 be included in the board’s report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b. changes, if any, in accounting policies and practices and reasons for the same;
 - c. major accounting entries involving estimates based on the exercise of judgment by management;
 - d. significant adjustments made in the financial statements arising out of audit findings;
 - e. compliance with listing and other legal requirements relating to financial statements;
 - f. disclosure of any related party transactions;
 - g. modified opinion(s) in the draft audit report;
- 5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- 6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- 7) reviewing and monitoring the auditor’s independence and performance, and effectiveness of audit process;
- 8) approval or any subsequent modification of transactions of the listed entity with related parties;
- 9) scrutiny of inter-corporate loans and investments;
- 10) valuation of undertakings or assets of the listed entity, wherever it is necessary;
- 11) evaluation of internal financial controls and risk management systems;
- 12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- 14) discussion with internal auditors of any significant findings and follow up there on
- 15) reviewing the findings of any internal investigations by the internal auditors

- into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- 16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 - 17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - 18) to review the functioning of the whistle blower mechanism;
 - 19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
 - 20) Carrying out any other function as is mentioned in the terms of reference of the audit committee;
 - 21) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
 - 22) Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

The Committee shall mandatorily review the following as per present listing regulations –

1. management discussion and analysis of financial condition and results of operations;
2. statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. management letters / letters of internal control weaknesses issued by the statutory auditors;
4. internal audit reports relating to internal control weaknesses; and (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
5. statement of deviations:
 - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7)

As per present RBI Master Directions, the Audit Committee shall have the same functions and duties as laid down in section 177 of the Companies Act, 2013. In addition, the Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the applicable NBFCs.

While exercising any of the prescribed functions, the Committee have the power to investigate any activity within its terms of reference, seek information from any employee or obtain external legal or professional advice from experts, when the same is necessary to carry out such function and such other powers as prescribed under the Companies Act, 2013, the Listing Regulations, RBI guidelines and other applicable laws and as may be given by the Board of Directors of the Company.

Meetings and Quorum:

The Audit Committee shall meet at least four times in a year and not more than one hundred twenty (120) days shall elapse between two meetings. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. In terms of present Listing Regulations, the quorum requirement is either two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.

Other Relevant Provisions

The Chairman of the Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the General Meeting of the Company to provide any clarification on the matters related to audit and other shareholder queries.

2.2 Stakeholders' Relationship Committee

Stakeholders' Relationship Committee shall consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non- receipt of declared dividends. The Committee shall also look into various aspects of interest of shareholders, debenture holders, if any, and other security holders, if any. Also, it will supervise and ensure efficient handling of shareholders service request regarding transmission/ consolidation/splitting/ duplicate issue of shares certificates etc. and to issue letter of confirmation and/ or such other prescribed document.

Composition :

There shall be atleast 3 members, one of them shall be executive Director and at least one being an independent director. The Committee shall be chaired by a Non-Executive Director and the Company Secretary shall act as Secretary to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once in a year. The Committee may also consider the shareholders' service request through circular resolution.

The quorum for any meeting shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher,; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

Terms of reference : The terms of reference of the Committee shall be as per Companies Act, 2013, the Listing Regulations, RBI guidelines and other applicable laws and as may be fixed by the Board of Directors of the Company.

At present, the terms of reference prescribed under Listing Regulations shall inter alia includes the following –

- (1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- (2) Review of measures taken for effective exercise of voting rights by shareholders.
- (3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
- (5) The Committee shall recommend the Board for change in Registrar and Share Transfer Agent for speedy & expeditious processing of shareholder requests.
- (6) The Committee shall accord approval to Shareholder Service request for split/consolidation etc. of shares certificate and to issue letter of confirmation and/ or such other prescribed document . The committee shall dispose of the requests received within prescribed time limit.

The Chairperson of the Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company

All the relevant registers, common seal, blank/cancelled share certificates etc. shall also be under the safe custody of the Company Secretary or any other person authorized by the Board.

2.3 Nomination and Remuneration Committee

The purpose of Nomination and Remuneration Committee is to nominate the existing Director or the candidate nominated by the shareholders etc. under the provisions of the Companies Act, 2013, the Listing Regulations or by the parent bank, Punjab National Bank in line with the provisions of Articles of Association of the Company, who is fit and proper to be appointed and fulfill all eligible criteria as defined by the said Committee and the Board.

Composition

The Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors. Chairperson of the Board may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. Further, Chairperson of the Nomination and Remuneration Committee shall always be an Independent Director.

The Company Secretary shall act as Secretary to the Committee, who shall take all necessary undertakings required prior to appointment/reappointment in accordance with the Companies Act, 2013, the Listing Regulations, RBI guidelines and other applicable laws.

Meetings and Quorum :

The Committee shall meet atleast once an annual basis and in consonance with the requirement of inducting a candidate on the Board. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. As per present Listing Regulations, quorum shall be either two members or one third of the members of the committee, whichever is greater, subject to presence of atleast one independent director.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, the Listing Regulations, Articles of Association of the company, RBI guidelines and other applicable laws.

Before recommending any person for appointment/reappointment as Director, the Committee shall check “Fit and proper norms” as suggested by RBI/SEBI or any other regulatory authority, such as – formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. should be considered. The above information may be sought by way of self- declaration by the Director.

At present, Listing Regulations provides that the role of committee shall, inter-alia, include the following:

(1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

(1A) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may: a. use the services of an external agencies, if required; b. consider candidates from a wide range of backgrounds, having due regard to diversity; and c. consider the time commitments of the candidates.

(2) formulation of criteria for evaluation of performance of independent directors and the board of directors;

(3) devising a policy on diversity of board of directors;

(4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

(5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

(6) recommend to the board, all remuneration, in whatever form, payable to senior management.

At present, Section 178 of Companies Act, 2013 provides that the role of committee shall, inter-alia, include the following:

(1) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal

and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

- (2) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- (3) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

The Chairperson of the Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

2.4 CSR Committee

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Company.

Composition

The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director. The Company Secretary shall act as Secretary to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once on an annual basis. The quorum shall be minimum of two directors or as prescribed under the Companies Act, 2013, The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, the Listing Regulations, Articles of Association of the company, RBI guidelines and other applicable laws.

At present, terms of reference of CSR Committee mentioned under Section 135 of the Companies is as under -

- (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

2.5 Risk Management Committee.

The purpose of this Committee is to lay down procedures for risk assessment and minimization. The Committee shall also review these procedures periodically to ensure that executive management is controlling the risk through means of a properly defined risk framework and also Risk Management committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

Composition

The Risk Management Committee shall comprise of minimum three members with majority of them being members of the board of directors, including at least one independent director.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, the regulation 21 of SEBI(LODR) Regulations, 2015 & Articles of Association of the company, RBI guidelines and other applicable laws. Role of Risk Management Committee, as defined in Listing Regulations at present, shall be as under :

The role of the committee shall, inter alia, include the following:

1. To formulate a detailed risk management policy which shall include:
 - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
 - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

7. monitoring and reviewing of the risk management plan and such other functions as the Board may deem fit (such function shall specifically cover cyber security).

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

The Risk Management Committee shall ensure that the company is complying with the internal policies already documented, controls, and procedures concerning the operation of the risk measurement system.

The Committee shall review overall risk management plan and process which should take place at regular intervals (ideally not less than once a year) and as and when policy changes are prescribed by RBI or any other regulator and should specifically address the following.

- (i) The adequacy of the documentation of the risk management system and process;
- (ii) The organization of the risk control unit;
- (iii) The integration of market risk measures into daily risk management;
- (iv) The approval process for risk pricing models and valuation systems used by front and back-office personnel;
- (v) The validation of any significant change in the risk measurement process;
- (vi) The scope of market risks captured by the risk measurement model;
- (vii) The integrity of the management information system;
- (viii) The accuracy and completeness of position data;
- (ix) The verification of the consistency, timeliness and reliability of data sources used to run internal models, including the independence of such data sources;
- (x) The accuracy and appropriateness of volatility and other assumptions;
- (xi) The accuracy of valuation and risk transformation calculations;
- (xii) The verification of the model's accuracy through frequent back testing as described in RBI guidelines for Primary Dealers;

Meetings and Quorum :

The Committee shall meet atleast twice in year. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. As per present Listing Regulations, quorum shall be either two members or one third of the members of the committee, whichever is greater.

The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

2.6 IT Committee

The Board has constituted an IT Committee in terms of RBI Circular on Risk Based Internal Audit.

Composition

The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.

Meetings and Quorum :

The Committee shall meet atleast once on an annual basis. The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

Terms of reference of the Committee shall be as per RBI circular on Risk based Internal Audit.

2.7 Committee of Directors for Operational Matters

The Board has delegated the power of taking the decisions with respect to investment and borrowing. The limits of these powers shall be defined and approved by the Board on an annual basis through its business policy.

Composition

The Committee shall consist of the following :

- (i) Chairman
- (ii) Executive Director – PNB (Director on the company’s Board)
- (iii) General Manager – PNB (Director on the company’s Board)
- (iv) Managing Director

Meetings and Quorum

The committee shall meet as and when required. The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

3. Other Operational Committees

The Board shall have power to constitute committees at operational level to carry out day-to-day functions. A few of them are :

3.1 IT Strategy Committee

IT Strategy committee have the responsibility to institute an effective governance mechanism, risk management process and cyber security.

Composition of IT Strategy Committee : The chairman of the committee shall be an independent director and CIO & CTO shall be a part of the committee.

Periodicity of meetings: The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.

Terms of reference of the Committee shall be as per RBI guidelines. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance. Its deliberations may be placed before the Board.

Roles and responsibilities of the Committee shall be as per RBI guidelines, which at present, include:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC’s growth and becoming aware about exposure towards IT risks and controls

The role of IT Strategy committee in respect of outsourced operations shall include -

- Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
- Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- Periodically reviewing the effectiveness of policies and procedures;
- Communicating significant risks in outsourcing to the NBFC’s Board on a periodic basis;
- Ensuring an independent review and audit in accordance with approved policies and procedures;
- Ensuring that contingency plans have been developed and tested adequately;
- NBFC should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. NBFCs are expected to adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.

3.2 IT Steering Committee

IT Steering Committee will review, monitor and prioritize major IT projects and its implementation. The Committee will ensure that IT strategy is aligned with the strategic goals of the organization.

Composition: The members of IT Steering Committee will be Managing Director, Executive Director, Sr. EVP-IT, VP-IT and Asso VP-Mid Office.

Roles and Responsibilities of IT Steering Committee: The role of IT steering committee is IT project prioritization, approval of IT projects, and IT strategic planning. IT steering committee brings a number of benefits to both the IT leader and the enterprise as a whole:

- Business focus. The IT steering committee’s strongest mandate is to find & align business solutions that may leverage technology.
- Priority. For procurements, IT will be able to set spending priorities according to broadly based business recommendations.

3.3 Investment Committee

The Company is a Primary Dealer of Government Securities and therefore, it perceives the Investment Committee as an essential for survival and growth of its business.

The Committee shall deliberate and decide on day-to-day investment and portfolio decisions.

Composition :

The Investment committee shall be chaired by Managing Director (in absence of whom, the immediate authority (i.e. Executive Director & CFO shall be the Chairperson) shall be the Chairperson) and committee shall be comprised of following other members:

- Executive Director & CFO
- Sr. Executive Vice Presidents (Front Office and Back Office)
- Chief Dealer
- Representative of Mid-Office team

Frequency of Meeting :

The Investment Committee shall meet at least once a day

Terms of Reference :

- (i) All decisions regarding the day-to-day management of the company’s portfolio shall be taken by this Committee. The committee shall also review the market conditions, company’s portfolio and the strategy to be followed.
- (ii) The Committee shall ensure that the company is following the procedures, laid down the Board, while putting the deals through deals, various prudential exposure limits, policy regarding dealings through brokers, systems for management of various risks, guidelines for valuation of the portfolio and the reporting systems etc.
- (iii) The Committee shall also review the operational procedures and controls in relation to the day-to-day business operations and the Committee shall also ensure that operations in securities are conducted in accordance with sound and acceptable business practices.

3.4 Asset Liability Committee (ALCO)

The Company is a Primary Dealer and therefore, perceives the ALCO as an essential to monitor the asset liability gap and strategize action to mitigate the risk associated.

Composition

The ALCO shall comprise of :

1. Managing Director
2. Executive Director & Chief Financial Officer
3. Senior Executive Vice President

4. Chief Dealer
5. Head Accounts Department
6. Head Mid-office

IT head will be an invitee to the meeting.

Frequency of Meeting :

The ALCO shall meet at least once in a quarter.

Terms of Reference

The business issues that an ALCO would consider, inter alia, will include review of maturity profile, mix of the incremental assets and liabilities, monitoring the risk levels of the company etc.

Other Disclosures

The company shall make all necessary disclosures in various public domains like Directors' Report, Report on Corporate Governance, website etc. as required under the Companies Act, 2013, the Listing Regulations, RBI guidelines and other applicable laws

Waiver / Interpretation /Amendments of the Code of Corporate Governance:

Any waiver of the provisions of this code shall be approved by the Board of Directors of the company.

The Board of Directors of the company will handle any question or interpretation under this Code.

The code shall be reviewed continuously and any amendment to the provisions of this code must be approved by the Board and promptly disclosed on the Company's website and in applicable regulatory filings pursuant to applicable laws and regulations together with details about the nature of amendment.

It may be noted that provisions of this Code are in addition to and not in derogation with the Companies Act, 2013 and Rules made thereunder, the Listing Regulations, RBI Guidelines/Directives and any other applicable law, for the time being in force. In case of any inconsistency between the provisions of this code and above laws, the later shall prevail.